



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Authorize the City Manager: to cancel the original plan of reconstructing Killelea Substation and installing two 60kV power circuit breakers at Industrial Substation; to implement a Scaled-Back rehabilitation project of Killelea Substation; to have Power Engineers, Inc. of Hailey, ID re-scope, engineer and design the Scaled-Back project; and to negotiate necessary amendments to the project's construction agreement with Rosendin Electric, Inc. of San Jose, CA (\$3,478,444) (EUD)

**MEETING DATE:** May 3, 2006

**PREPARED BY:** Electric Utility Director

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**RECOMMENDED ACTION:** That the City Council adopt a resolution authorizing the City Manager to implement the following:

1. To cancel the original plan of demolishing and reconstructing the Killelea Substation facility and installing two 60kV power circuit breakers (PB) at Industrial Substation;
2. To have Power Engineers, Inc. (Power) of Hailey, ID re-scope, re-engineer and re-design the conceptual Scaled-Back project for Killelea Substation; and,
3. To negotiate the construction of this Scaled-Back project with Rosendin Electric, Inc. (Rosendin) of San Jose, CA.

**BACKGROUND INFORMATION:** The original project titled 'Reconstruction of Killelea Substation and 60kV PCB Addition at Industrial Substation' was divided into two parts: the construction work in the substations and the procurement of two (2) power transformers. This project was conceived to enhance system reliability since key Killelea substation equipment is more than 35 years old and reaching its useful life. On August 3, 2005, the City Council authorized the advertisement for bid for this project and continued with the bidding process.

The City Council approved the award of construction work to Rosendin on December 21, 2005. The contract signing process was initiated and halted by the Electric Utility Department in February 2006 to allow the new Electric Utility Director to review the efficacy of the planned project and to explore lower cost alternatives to a full reconstruction.

Consequently, the reconstruction of Killelea Substation and the addition of 60kV PCB at Industrial Substation were re-evaluated and analyzed. A Scaled-Back Project for Killelea Substation plan was conceptualized. This Scaled-Back Project includes a majority of the original project features without the 60kV structure and power equipment, utilizing the two (2) existing power transformers, and installing a new indoor-type 12kV switchgear in a new control building.

The cost of the original full reconstruction of Killelea Substation is estimated to be approximately \$6.4 million. A Scaled-Back Project is estimated to cost just over \$3.4 million – a cost savings of almost \$3 million. Staff believes that the lower cost version of the substation rehabilitation will provide the preponderance of the reliability benefits of a full-scale project. The near term value of the addition of two 60 kV circuit breakers at the Industrial Substation is slight and deferral is recommended.

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APPROVED:

Blair King, City Manager

Authorize the City Manager; to cancel the original plan of reconstructing Killelea Substation and installing two 60kV power circuit breakers at Industrial Substation; to implement a Scaled-Back rehabilitation project of Killelea Substation; to have Power Engineers, Inc. of Hailey, ID re-scope, engineer and design the Scaled-Back project; and to negotiate necessary amendments to the project's construction agreement with Rosendin Electric, Inc. of San Jose, CA (\$3,478,444) (EUD)

May 3, 2006

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Although no contract was executed with Rosendin, staff found they began work on the project (hiring subcontractors, ordering equipment, etc.) shortly after City Council approval of the project on December 21, 2005. Notwithstanding this fact, Rosendin has been cooperative and supportive in assisting in the evaluation of a scaled back project. They obtained cost information from their suppliers and subcontractors relative to the original project (considering current stage of project work) and provided a cost estimate of the Scaled-Back Project to assist the City in its evaluation.

As noted in the recommendation section of this Council Communication, pursuit of the scaled-back substation rehabilitation project would entail three steps:

1. Formal notice of original project cancellation,
2. Detailed redesign of the scaled-back work, and
3. Development of revised work scope and business arrangement with the project construction manager (Rosendin).

Regarding development of a new scope of work, engineering, design, plans and specifications for the Scaled-Back Project, it would be most efficient to have Power Engineers, Inc. (who provide the engineering services for the original project) do this work. EUD presently has an existing professional services contract with Power Engineers for which a sufficient balance on the contract remains to complete this work.

With the Scaled-Back Project, we still need to acquire the Perlegos' property for the placement of the new control building with the indoor, 12kV switchgear, remote terminal unit, security and alarm systems, communication equipment, panel boards and other control and power equipment. The acquisition of the property was approved by the City Council in August 21, 2002 as per Resolution No. 2002-178. The City Attorney's office is engaged in negotiating with the property owner's attorney for the acquisition of the property. City Council approval will be sought regarding the cost of acquisition. (For information, the acquisition process for the house was stayed until recent reinitiation by EUD of this project. Acquisition is expected to be completed in a timely manner.)

While EUD's recommendation to not pursue a full reconstruction of Killelea Substation (and add two 60 kV circuit breakers at Industrial) may be a bit cumbersome at this late date, EUD believes this is a prudent course of action given the utility's weakened financial condition and to retain some bond proceeds for other projects.

**FISCAL IMPACT:**

The cost saving of approximately \$3 million was calculated based on the original total project cost of \$6,438,147 and the \$3,478,444 estimated cost of implementing the Scaled-Back project. The project was scheduled and listed as a bond project. There is no change in the April 2007 estimated completion date.

**FUNDING AVAILABLE:**

Sufficient bond proceeds remain in account 161677 to complete the scaled back project.

  
Ruby Paiste, Interim Finance Director

  
George F. Morrow  
Electric Utility Director

**PREPARED BY:**

Demy Bucaneg, Jr., P.E., Senior Power Engineer

GFM/DB/lst  
Attachments  
cc: City Attorney

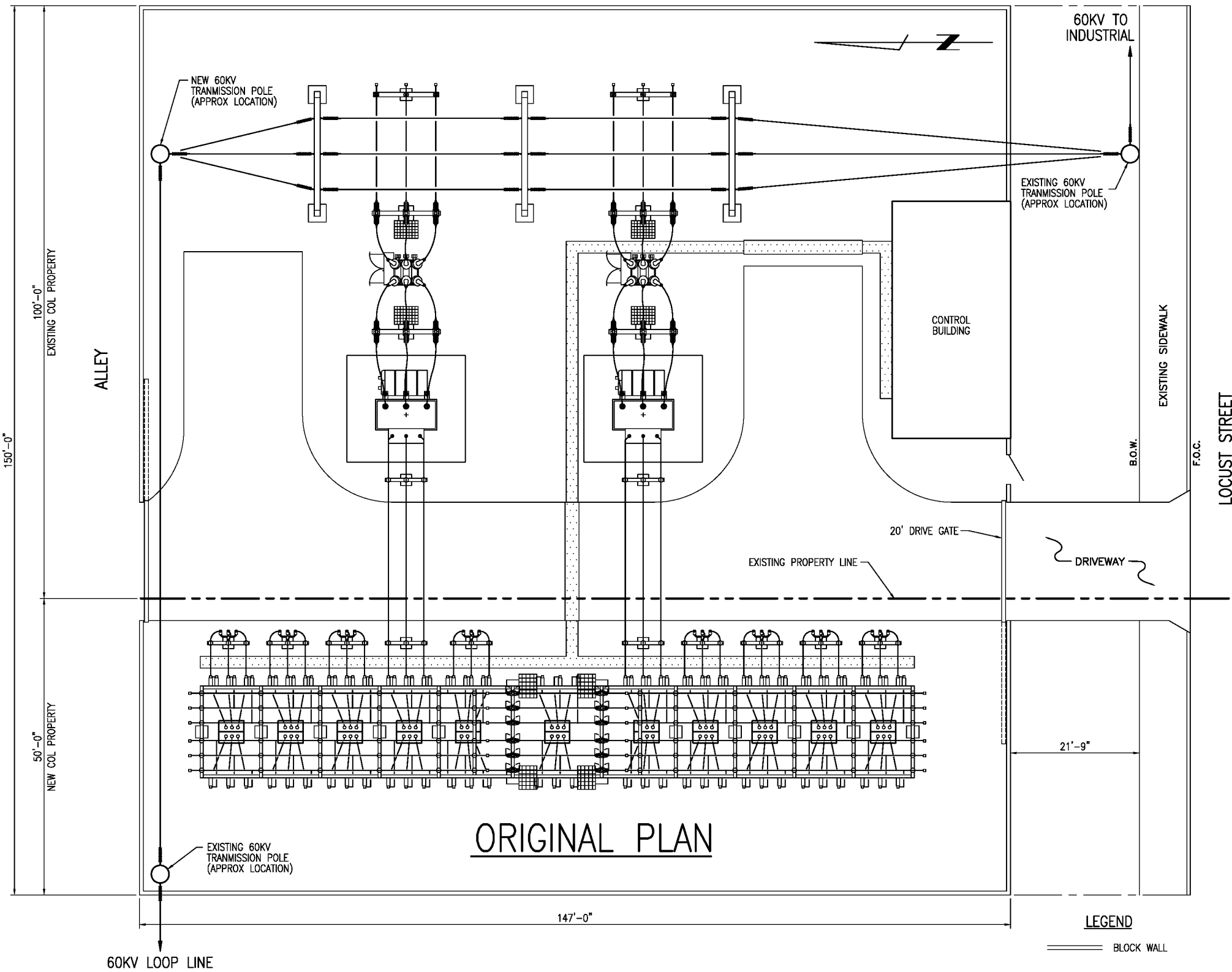
## Exhibit A

**Killelea S/S Reconstruction & Industrial S/S 60kV PCB Addition Project**

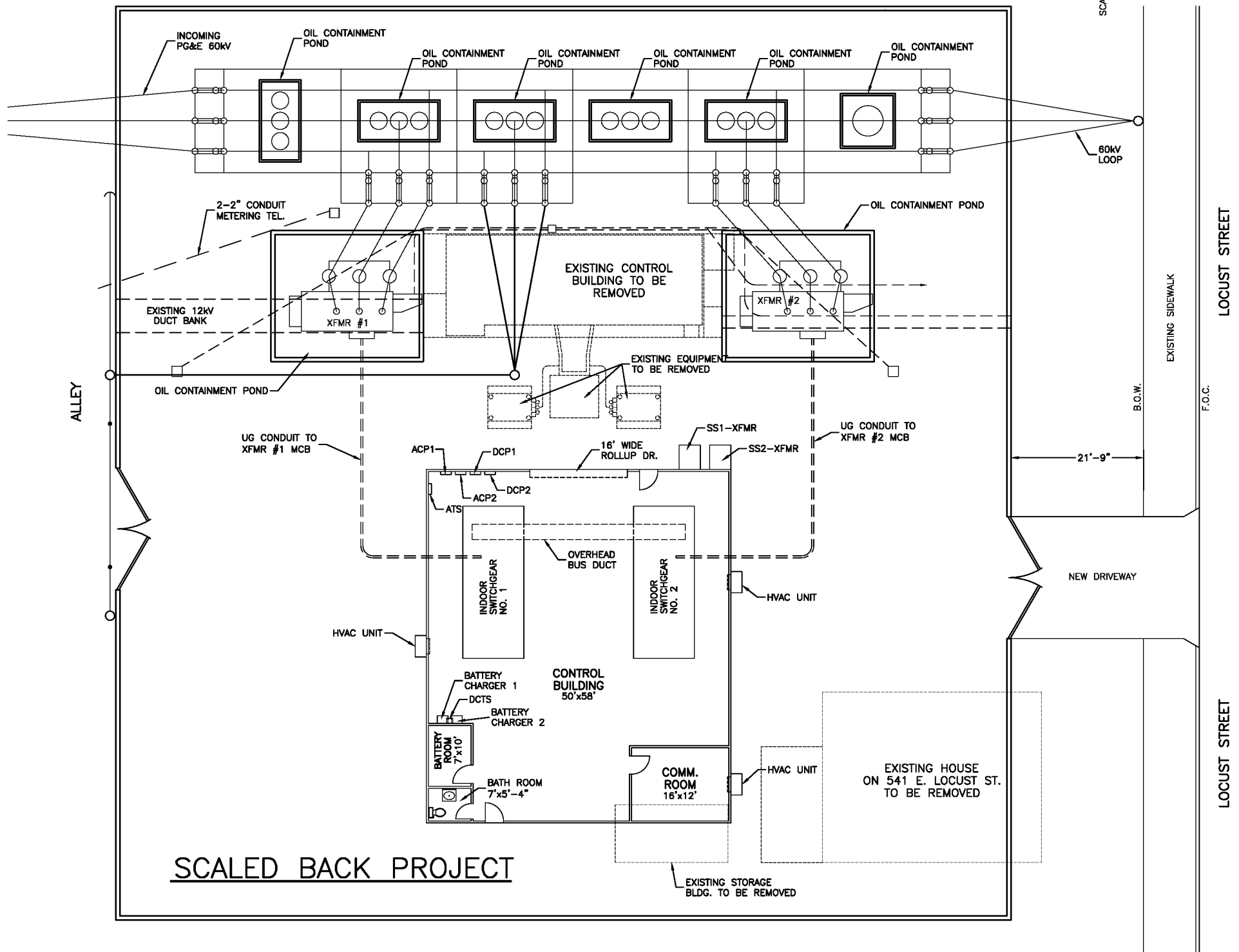
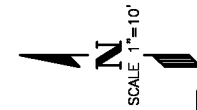
Date: 24-Apr-06

<u>Construction Units</u>	<u>Original Project</u>	<u>Scaled-Back Project</u> <u>Estimated Cost</u>	
Engineering & Design	\$ 61,350.00	\$ 61,350.00	
Killelea Substation	\$ 3,896,304.00	\$ 2,686,337.00	
Industrial Substation	\$ 335,570.00	\$ -	
Property Acquisition	\$ 230,000.00	\$ 230,000.00	
Hazardous Material Test & Survey	\$ 7,200.00	\$ 7,200.00	
Construction Management	\$ 420,000.00	\$ 186,667.00	
Power Transformers	\$ 1,335,023.00	\$ -	
Test & Commissioning	\$ 152,700.00	\$ 106,890.00	
Cost of Uncancellable Orders	\$ -	\$ 200,000.00	<i>Note 1</i>
<b>Totals =</b>	<b>\$ 6,438,147.00</b>	<b>\$ 3,478,444.00</b>	
<b>Projected Savings =</b>		<b>\$ <u>2,959,703.00</u></b>	

*Note 1 - Cost of uncancellable orders may increase after April 30, 2006.*



EXISTING  
RESTAURANT



SCALED BACK PROJECT

RESOLUTION NO. 2006-83

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO CANCEL THE ORIGINAL PLAN FOR KILLELEA SUBSTATION FACILITY AND THE INSTALLATION OF TWO 60KV POWER CIRCUIT BREAKERS AT INDUSTRIAL SUBSTATION; TO IMPLEMENT A SCALED-BACK REHABILITATION PROJECT OF KILLELEA SUBSTATION; TO HAVE POWER ENGINEERS, INC., OF HAILEY, ID, RE-SCOPE, RE-ENGINEER, AND RE-DESIGN THE SCALED-BACK PROJECT; AND TO NEGOTIATE NECESSARY AMENDMENTS TO THE PROJECT CONSTRUCTION AGREEMENT WITH ROSENDIN ELECTRIC, INC.

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby authorizes the City Manager to take the following actions in regard to the Killelea Substation project:

1. To cancel the original plan of demolishing and reconstructing the entire Killelea Substation facility and installing two 60kV power circuit breakers at Industrial Substation;
2. To have Power Engineers, Inc., of Hailey, ID, re-scope, re-engineer, and re-design the conceptual scaled-back project for Killelea Substation; and
3. To negotiate the construction of this scaled-back project with Rosendin Electric, Inc., of San Jose, CA.

Dated: May 3, 2006

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I hereby certify that Resolution No. 2006-83 was passed and adopted by the City Council of the City of Lodi in a regular meeting held May 3, 2006, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Johnson, Mounce, and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
SUSAN J. BLACKSTON  
City Clerk